

Message Text

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ACTION SS-30

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P 191700Z APR 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 4531

S E C R E T KINGSTON 1386

EXDIS; PASS TO OPIC

E.O. 1652: GDS

TAGS: PINT, EMIN, JM US

SUBJ: BAUXITE SITREP 30

1. CHARGE HAD A LENGTHY CONVERSATIONS WITH MEYER MATALON YESTERDAY IN WHICH MATALON REPORTED ON HIS CONVERSATIONS LAST WEEK IN WASHINGTON AND DESCRIBED THE GOVTS OBJECTIVES AND INTENTIONS FOR THE COMING WEEKS.

2. MATALON DESCRIBED HIS WASHINGTON TRIP AS HIGHTLY SATISFACTORY. HE WAS PARTICULARLY PLEASED WITH MEETING IN GHE DEPT WITH MESSRS EAGLEBURGER AND MAW. HIS DETAILED ACCOUNT OF THE MEETING CORRESPONDS IN MOST RESPECTS TO DEPT'S TRANSCRIP WHICH WE RECEIVED EARLY THIS WEEK. NEVERTHELESS HE SAYS THAT HE "GOT THE IMPRESSION THAT, BY THE END OF THE MEETING, EAGLEBURGER AND MAW WERE SYMPATHETIC WITH THE JAMAICAN CAUSE" AND THAT, WHILE HE UNDERSTOOD THAT THE SECRETARY AND THE DEPT WERE NOT INVOLVED IN THE NEGOTIATIONS TO THE COMPANIES AT THIS TIME, THEY WERE "NOW IN A POSITION TO EVALUATE PROPERLY ANY PRESSURES THEY MIGHT COME UNDER FROM OUTSIDE THE GOVT OR FROM OTHER SEGMENTS OF THE GOVT". MATALON INDICATED THE HE MAY MAKE FUTURE USE OF THIS AVENUE OF COMMUNICATIONS TO KEEP SECRETARY INFORMED AS NEGOTIATIONS PROGRESS.

3. WE BELIEVE MATALON MEETING WITH EAGLEBERGER AND MAW MADE A SIGNIFICANT POSITIVE CONTRIBUTION TO THE ATMOSPHERICS SURROUNDING THE NEGOTIATIONS AT A CRITICAL JUNCTURE. THE STORMY APR 5 NEGOTIATING SESSION LEFT A BAD TASTE IN BOTH GOVT AND INDUSTRY MOUTHS AND WASHINGTON MEETINGS DID MUCH TO RESTORE POSITIVE WORKING CLI-

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MATE. SIMILAR MEETINGS IN FUTURE COULD PLAY A VITAL ROLE AS EM-

PHASIS IN NEGOTIATIONS SHIFTS FROM REVENUE ISSUES TO EVEN MORE DIFFICULT AND SENSATIVE QUESTIONS OF GOVT PARTICIPATION, LAND OWNERSHIP, AND DISPOSITION OF RESERVES. THESE NEGOTIATIONS ARE LIKELY TO BE PROTRACTED AND FRUSTRATING, AND THE MORE AVENUES OF COMMUNICATION AVAILABLE THE BETTER.

4. MATALON REPORTED HIS MEETING WITH INDUSTRY REPS CUTLER AND ROSE IN MORE GUARDED BUT STILL FAVORABLE TERMS. HE SAID HE WAS ABLE TO DEMONSTRATE WHY REVENUE ISSUES COULD AND SHOULD BE SETTLED SEPARATELY FROM AND PRIOR TO OTHER ISSUES, AND TO MAKE THE CASE FOR A SMALLER, STREAMLINED INDUSTRY NEGOTIATING TEAM RATHER THAN THE MASSIVE DEPUTATION WHICH HAVE BEEN A SOURCE OF SOME ANNOYANCE TO GOVT SIDE. MATALON SAID HE UNDERSTOOD CUTLER AND ROSE COULD NOT COMMIT THE INDUSTRY ON MAJOR ISSUES, BUT HE LOOKED FORWARD TO A BETTER WORKING RELATIONSHIP WITH THEM DURING THE COMING NEGOTIATING SESSION.

5. MATALON CONTINUED TO TAKE A HARD LINE ON SUBSTANCE IN YESTERDAY'S CONVERSATION WITH CHARGE, SAYING THAT NOTHING HE HAD HEARD THUS FAR FROM THE INDUSTRY PERSUADED HIM THAT THERE WAS ANY REASON FOR THE GOVT TO ALTER ITS BASIC DEMAND FOR 8 PERCENT OF THE PRICE OF PRIMARY ALUMINUM INGOT, WHATEVER THIS WAS. HE INDICATED WILLINGNESS TO ADOPT A FLEXIBLE FORMULAR UNDER WHICH THE PROPORTION COMING TO JAMAICA WOULD GROW IN INCREASINGLY LARGE INCREMENTS AT PRICES ABOVE 36 CENTS PER POUND AND DECREASE IN THE SAME WAY AS PRICES FELL. DECREASED WOULD BE IN DIMINISHING INCREMENTS BELOW 36 CENT WHILE AT THAT PRICE PROPORTION WOULD BE JUST 8 PERCENT. THIS FORMULA, HE SAID, WOULD PROTECT THE GOVT FROM RAPID FLUCTUATIONS IN THE PRICE OF ALUMINUM, ALLOW IT TO BENEFIT FROM LONG TERM PRICE INCREASES, AND PROTECT THE INDUSTRY FROM LONG TERM PRICE DECREASES.

6. MATALON WENT ON TO SAY THAT MONDAY, APR 29 WAS THE DEADLINE AS FAR AS THE GOVT WAS CONCERNED, AND UNLESS AGREEMENT HAD BEEN REACHED BY THAT TIME ON REVENUE ISSUES IT WOULD SIMPLY BE FORCED TO TABLE LEGISLATION IMPLEMENTING ITS PROPOSALS. HE EMPHASIZED THAT GOVT WAS WILLING TO NEGOTIATE IN GOOD FAITH DURING THE COMING WEEK AND HAD NO DESIRE FOR A CONFRONTATION WITH THE INDUSTRY, BUT THAT IT COULDN'T "FOOL AROUND FOREVER" WITH THE REVENUE QUESTION. CHARGE REPLIED THAT IT WAS HIS UNDERSTANDING

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THAT FOR ITS PART THE INDUSTRY ALSO INTENDED TO NEGOTIATE IN GOOD FAITH AND WAS NOT USING CONFRONTATION TACTICS. IN PARTICULAR HE SAID HE UNDERSTOOD THAT INDUSTRY HOPED TO AVOID TAKING THE CASE TO THE INTERNATIONAL COMMISSION FOR THE SETTLEMENT OF INDUSTRIAL DISPUTES (ICSID) AND THE LENGTHY LITIGATION THAT WOULD INVOLVE, WHICH WAS THE PROBABLE RESULT IF THE GOVT RESORTED TO UNILATERAL ACTION.

7. MATALON ALSO SAID IN COURSE OF YEATERDAYS CONVERSATION THAT GOVT HAD DECIDED TO TAKE ALCOAS FIGURES AND DATA AS REPRESENTATIVE OF ENTIRE INDUSTRY IN ANALYZING ECONOMICS OF INDUSTRY AND WORLD MARKETS. HE SAID THIS WAS NOT BECAUSE THEY WISHED TO SINGLE OUT OR "PICK ON" ALCOA, BUT BECAUSE ALCOA CASE WAS THE CLEAREST SINCE, OF ALL THE FIRMS, IT WAS THE ONLY ONE ENGAGED ONLY IN ALUMINUM BUSINESS OR CLOSELY ALLIED ACTIVITIES. SINCE GOVT HAD DECIDED TO BASE ITS OWN CASE ON ALCOAS FIGURES, AS IT WERE, IT HAD REQUESTED A PRELIMINARY MEETING WITH ALCOA REPS IN COURSE OF THIS WEEKEND TO GO OVER ALCOA FIGURES. OBJECT NOT TO CHALLENGE FIGURES AT THIS STAGE, BUT TO MAKE SURE THEY UNDERSTOOD THEM. THIS MEETING NOW SCHEDULED FOR SUNDAY AFTERNOON. OTHERWISE NO ACTIVITY LIKELY UNTIL FIRST GENERAL SESSION ON MONDAY MORNING.
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NOTE BY OC/T: NOT PASSED OPIC.

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